

Rec'd. 7 July 81

Executive Registry
81-4633

46 William Street  
New York, N.Y. 10005

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7 July

July 2, 1981

Dear Bill:

I enjoyed the lunch. Here is an outline for the position for the October meeting at Cancun which I wrote after the lunch. On the outline I have starred those subjects on which I need research help. I have also enclosed a draft of an introductory section.

I shall call you on Monday to see if you think this is worthwhile. If so, perhaps you can get your experts to do some quick research.

With warm regards,

Yours,

*Pete*

Peter M. Flanigan

The Honorable William J. Casey  
Director of Central Intelligence  
Washington, D.C. 20505

Outline of A Position Paper for Cancun

*\*indicates needed "quick & dirty" research*

A. Development of North-South issue

B. Past approaches -

- \* 1. UNCTAD
- \* 2. UN Report
- \* 3. BRANDT Commission
- \* 4. '78 (?) Kissinger approach

Common to the above were:

- a. Developing countries' approach - guarantee us more income & transfer to us more capital - you owe it to us
- b. Developed countries' approach - you deserve it to be sure, if only we could afford it - so we increased World Bank aid \$1B in '68 to \$12.5B in '80.

C. Guidelines for new approaches

1. Individually we are all our brother's keepers (do not give away the high road) - we individually give some help and should give more. There are ample private organizations to channel funds to those in need. They are more cost effective than the government aid programs (\*are they?) and often better received.
  - \*a. Care
  - \*b. Peter's Pence
  - \*c. other (?)
2. While we have an obligation to help our brothers, they do not have a right to our goods. Charity is an obligation of the donor - the recipient has an obligation of gratitude.
3. Our individual obligation is not transferrable to - nor met by - government action. Governments must act in the national interest, which includes peace and prosperity in poor countries.
4. At whatever level we provide financial support, it should be based on economic realism and be in accord with our economic philosophy.

There are more opportunities to give than we can possibly meet, so we owe it to both ourselves and the recipients to give to those who will do the most with the money.

D. New approaches based on reality and our economic philosophy, i.e. - the market works.

1. Do not discuss commodity agreements - they are price fixing and do not work in the long run for either producer or consumer, i.e.:

- \* a. Coffee agreement
- \* b. Tin agreement
- \* c. Wheat agreement
- \* d. Sugar agreement
- \* e. Other?

2. Do not finance socialist economies - they do not work

- a. East Germany vs West Germany
- b. North Korea vs South Korea
- c. Mainland China vs Taiwan

\* (example) 3. Do finance infrastructure improvements in market economies.

\* (example) 4. Do finance educational improvement in market economies.

\* (example) 5. Do finance long-term credit institutions in market economies.

\* (example) 6. Do finance effective agricultural programs - production and distribution - in economies with private farms and distribution mechanisms (negative example is Philippines taking over the distribution of sugar & denying farmer the profit\*)

E. Conclusion -

1. Each of us has a moral obligation to help our brother in need. Our shirking that obligation does not excuse the transfer of that obligation to our government.

2. The government must use our tax monies only in the national interest, which is largely defined by peace and prosperity.
3. Since the requirements for governmental foreign aid will always exceed our means, we must use our aid where and how it will be most effective.
4. Within the constraints of other national security considerations, this means we should use our aid in market oriented societies for market oriented projects. Because they do not work, we should not agree to market distorting schemes such as commodity agreements and we should so inform UNCTAD and our friends at Cancun.

\* \* \*

A Position for Cancun

- A. For a generation after World War II the major issue in North-South relations was the dissolution of Europe's colonial empires. In all of Africa "the winds of change" raged against colonialism, with British and French colonies being granted independence early and often peacefully, and the Portuguese colonies of Angola and Mozambique winning independence after and violently. Southern Asia, from India through Malaysia, emerged into an area in which essentially all peoples became self-governing. Even in Latin America, where the Spanish and Portuguese empires had long since disappeared, the remaining small European colonies in the Caribbean were granted their independence. During this period, even the developing countries which had gained their independence at an earlier date were largely preoccupied with this world-wide struggle for independence.

After the transition to independence had been largely accomplished, the euphoria of political freedom became tempered by economic reality. Independence did not bring the expected improvement of economic conditions. In fact, in all too many cases a fast growing population combined with an economically inept government and a lack of capital resulted in a worsening of economic conditions. Since the leaders of the developing countries could hardly have been expected to blame either their newly-won independence or themselves for this failure, they needed another cause. To identify this cause, and to proscribe its cure, a number of groups were formed and several studies were commissioned.

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